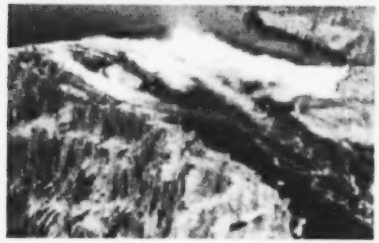


ANNUAL REPORT 2004/05

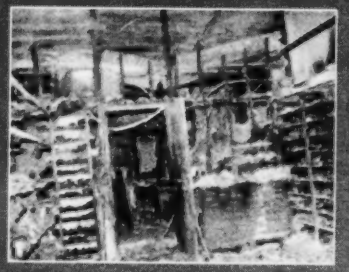
Powering people and our communities

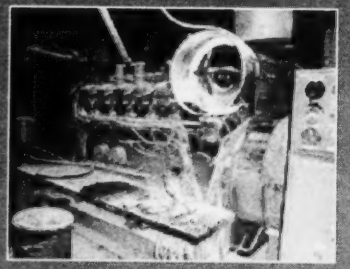
NORTHWEST TERRITORIES
POWER
CORPORATION

Powering People and Our Communities

Contents

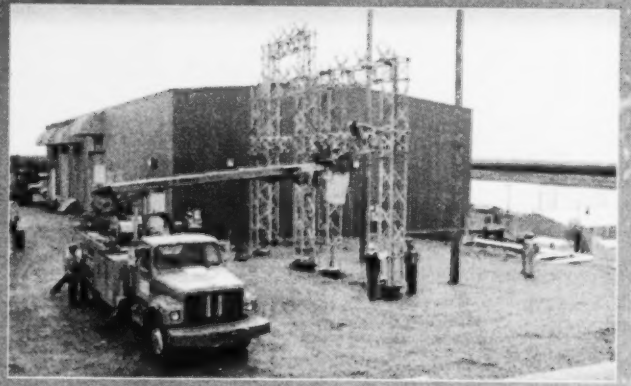
1 Our Vision 2010
2 Message from the Chairman
3 In Memoriam - Ted Humphrys
4 Message from the President & CEO
5 New Hydro Development Opportunities
8 Employee Appreciation
9 Community Investment
10 Management's Discussion & Analysis
16 Management's Responsibility for Financial Reporting
17 Auditor's Report
21 Financial Statements & Notes
34 Consolidated Financial Summary
35 Directives
36 Directors and Officers





Fort McPherson, rising from the ashes

Over 2004/2005, NWT Power Corporation completely rebuilt the Fort McPherson power plant which was destroyed by fire on the night of January 19, 2004. After quickly restoring power to the community, the Corporation turned to the job of reconstructing the plant. A team of NWT Power Corporation staff and 38 contractors and sub-contractors rebuilt the plant and brought it back into operation in early 2005. The official opening of the new upgraded, state-of-the-art plant was held in late March 2005.



Mandate

It is the responsibility of the Corporation to generate, transform, transmit, distribute, deliver, sell and supply energy throughout the Northwest Territories on a safe, economic, efficient and reliable basis.

25kv Upgrade of Inuvik Substation - Summer 2005

Vision

- We will provide environmentally sound, safe, reliable, cost-effective energy and related services in the territories, resulting in recognition as the best managed utility in Canada.
- We will be profitable and financially strong, following sound business practices and providing an economic return to our shareholder.
- We will be a great place to work - innovative, proactive, and driven to meet expectations of our shareholder, customers and communities.
- We will be a major contributor, working with partners, to the development and operation of new energy resources in ways that meet the North's unique environmental needs.

Mission

Position the core business for future sustained, profitable growth through:

- motivating and securing alignment and support of all employees to the Corporation's future strategy;
- implementing 1 or 2 significant growth opportunities for the core business, adequately resourced;
- improving organizational efficiency and effectiveness;
- gaining the support of key stakeholders, the Board, Shareholder, Aboriginal peoples, and our communities, for growth; and change initiatives;
- strengthening our customer base—offer solutions to rate structure and payment issues, provide quality customer service.

Values

We will endeavour to:

- Be cost effective in the utilization of all resources, always remembering that we are spending the customer's money.
- Strive to increase shareholder value in the long term.
- Be responsive to our customers and their changing needs.
- Act ethically and honestly, treating employees, customers and others with fairness, dignity and respect.
- Commit to the safety and development of our employees by balancing the needs of customers with the needs of our families and ourselves.
- Respect and protect the environment in all our activities to ensure a sustainable environment for the NWT.
- Communicate in an open and timely manner.

Message from the Chairman

Richard Nerysoo
Chairman

This past year has been a good one for both the NWT and the Northwest Territories Power Corporation (Corporation). The North's economy continues to flourish, driven by the approval for construction of a new diamond mine and continued work on the Mackenzie Valley pipeline. All the communities we serve have been impacted by the increased level of economic activity. While the Corporation responds to these demands we are also looking to the future to ensure a safe reliable power infrastructure for the North.

Leading the way is our dedicated staff of employees. Their commitment to the Corporation and its customers is clearly illustrated by the response to a devastating fire at one of our isolated diesel plants. A new power plant was completed in one year in Fort McPherson to replace the plant destroyed by fire in 2004. While staff worked to complete this project they continued to provide all the customers with excellent service while maintaining the high priority on safety for both employees and the public.

The Board of Directors is working to not only meet the North's immediate needs for safe, reliable power, but to building a successful Corporation that meets the directions set by our Shareholder as well as our own expectations. To this end we have continued our work to develop the North's hydro potential with a view to serving the expanding diamond mines and the gas pipeline. With our partners and operating through our wholly owned subsidiaries we have continued our efforts to develop viable hydro projects on the Taltson and Bear Rivers. We are active participants in the pipeline permitting process to ensure the Corporation can meet the needs of its existing customers, and that we and our partners can take advantage of any opportunities for growth.

In addition to providing growth opportunities for the Corporation and its aboriginal partners, if successful, new hydro development will provide more diesel communities with access to lower cost hydro generation in the long term.

The Board and Shareholder both see a strong growing economy in the NWT. The Board sees the need for NTPC and its subsidiaries, NWT Energy Corporation (03) Ltd and Sahdae Energy Ltd. to position themselves to be significant benefactors and participants in this growing economy. These times require us to undertake strategic decisions and calculated risks that will allow us to realize these opportunities.

I wish to extend my thanks and appreciation to the Board of Directors, management and staff of NTPC, NTEC (03) Ltd., and Sahdae Energy Ltd. for their commitment and hard work over the last year. Together we continue to move towards the achievement of our goals.

Richard Nerysoo
Chairman

E. W. (Ted) Humphrys
(1913-2005)

Chairman Emeritus to the NTPC Board of Directors

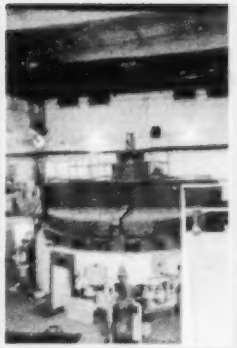
Mr. Humphrys was a technical advisor to the Northwest Territories Power Corporation Board of Directors since the Corporation's inception in 1988; and to the predecessor, Northern Canada Power Commission during the 1970's and '80's.

Mr. Humphrys' associations with electric power in northern Canada dates from the creation of the N.W.T. Power Commission and commissioning of the Corporation's first hydro plant (Snare Rapids) in 1948. The N.W.T. Power Commission activities extended to the Yukon Territory in 1950 and its name was changed to the Northern Canada Power Commission (NCPC) in 1956.

Mr. Humphrys earned his B.Sc. in Electrical Engineering from the University of Manitoba in 1935 following preliminary study in Mechanical Engineering at the University of Saskatchewan. After work in Saskatchewan operating a small electrical utility and electrical contracting business, he gravitated to wartime employment with the Inspection Board of UK Canada in Ottawa. In 1948, he joined the N.W.T. Power Commission as its first engineer, subsequently becoming Chief engineer and general manager. In 1969, he resigned from the NCPC to become Senior Electrical Advisor in the federal Department of Energy, Mines and Resources; during which he retained an association with the NCPC as advisor to the Chairman of the Commission.

In 1993, the Snare Rapids Hydro Plant was dedicated the Ted Humphrys Power Plant in recognition of his then 45 years of association with the development, production and distribution of electric power in the North.

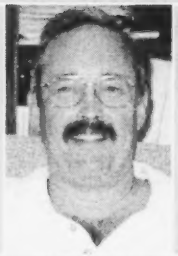
Ted Humphrys and his wife Ruth.



The main turbine, inside the Ted Humphrys plant at Snare Rapids, can generate 8 MW of electric power.

The main hydro site at Snare Rapids is the furthest upstream facility on the Snare River. Commissioned in 1948, the plant is named after the late Ted Humphrys. The plant contains two turbines, a main 8 MW generator and a smaller 500 KW turbine that is utilized only during high water periods.

Message from the President and CEO



Leon Courneya, FCA
President & CEO

Introduction

The 2004/05 year has been another successful year for the Corporation, its customers, employees and shareholder. This success is measured in the following ways as we continue our efforts to increase our efficiency and effectiveness in all areas so that we can provide better service to our customers.

Safety

We have been able to maintain our emphasis on employee and customer safety. After experiencing 5 lost time accidents in 2003/04 we were successful in operating all of 2004/05 without a lost time accident, bringing our total, as of the date of this message, to 20 months with no lost time accidents. We also had our safety program independently reviewed during the year and our program was rated as "good". During 2005/06 we will begin to address the recommendations in the review to make our "good" program "excellent". Our accident severity rate continues to be one of the best for a fully operating utility. We continued to provide safety training in schools and expanded this program to include Hay River and Yellowknife.

Reliability

We have improved the reliability of our systems from 99.96% last year to 99.98% this year. Systems availability in 2003/04 included the impact of the Fort McPherson plant burning down resulting in a loss of power for 10 hours. Our emergency response plan has been updated to reflect what we have learned from the Fort McPherson fire. In addition to improving our system availability we also lowered the average time to restore power by 30%.

We finalized new planning criteria for all the communities we serve which will ensure our continued reliability.

Environment

The environment continues to be a focus for the Corporation in its operations. During the year we adopted an ISO 14001 compliant Environmental Management System and will begin training and implementation under the plan in 2005/06. The Corporation has continued to be successful in maintaining greenhouse gas production at 37% below 1990 levels. We eagerly await more details from the Federal Government on how the plan for Canada to reach its emissions targets will operate and how that will impact the Corporation. Diesel accounted for 21% of our generation and is expected to fall to 18% in 2005/06.

While the number of spills has decreased from 2004/05, the size of the spills that we had in 2005/06 were larger than those in the prior year. The Corporation will be increasing its efforts in controlling spills in 2005/06.

Customer Service

Our response to the information learned from customer surveys in improving customer service continues to produce positive results. The Corporation continued its efforts to improve communication with customers through meetings and newsletters, provided information on our operation and ways to reduce electrical consumption, put on seminars on how to reduce energy consumption and completed our residential energy audit program. A commercial energy audit program will begin in 2005/06. Our most recent customer survey has indicated that we have improved in meeting customer expectations in all areas. While there is a long way to go to fully meet these expectations, 90% of customers believe we are providing satisfactory or better service in one of the most difficult operating environments in Canada.

Financial Performance

The Corporation's activities continued to be centred on two areas during 2004/05, our regulated operations of providing power in the NWT and the development of hydro projects. Net income of $6.4 million was down $0.8million from 2003/04 due to an increase in hydro development expenses. Despite the drop in net income, the Corporation maintained its dividend to its shareholder, the Government of the Northwest Territories (GNWT), at 95% of last year's amount. The Corporation's return on equity for its regulated operations was 9.5% while total ROE fell to 8% from last years 9.2%. The General Rate Application process that began in 2000/01 and was finalized in 2003/04 will begin again in the near future with 2005/06 as the planning and preparation year for a filing for the 2006/07 year. The process of dividing the Corporation as a result of the division of the NWT was completed in 2004/05 when the arbitrator ruled in the Corporation's favour on the one remaining item in dispute.

The Corporation has now fully implemented its plan for responding to the closure of the two Yellowknife gold mines and has completed the purchase of the Bluefish hydro facility, fully integrating it into our Yellowknife operations. The Snare Cascades hydro facility was successfully re-licensed in 2004/05 and work is underway to re-license the Bluefish hydro facility.

The Board of Directors has approved a new strategic plan for the regulated business and the Corporation has begun implementation of this

plan. The continued implementation of this plan will be the focus of our efforts in 2005/06.

Employees

A key component of our strategic plan revolves around employee involvement in the plan and emphasizes continued employee satisfaction with working at the Corporation. Our voluntary turnover rate increased from 3% last year to 6.1% this year, which is well below our long term target of 11%. Voluntary turnover for the last 3 years has averaged 5.5%. The employee survey conducted during the year has identified many areas related to career advancement where the Corporation can continue to improve employee satisfaction. The collective agreement expired December 31, 2004 and bargaining is currently underway for a new agreement.

New Hydro Development Opportunities

The Corporation, through its subsidiary NWT Energy Corporation (03) Ltd. completed engineering and environmental studies on a project to provide hydro power to the diamond mines north of Yellowknife. This work is being undertaken in partnership with the Akaitcho Territory Government and the NWT Métis Nation. At this point, this project can not proceed without the financial support of the GNWT which was not forth coming in 2004/05. This matter will be reviewed with the GNWT again in 2005/06 and if no support is forth coming alternative markets for this power will be considered.

The Corporation, through its subsidiary Sahdae Energy Limited, continues to work with the Deline Land & Financial Corporation and the Tulita Yamouria Community Secretariat to explore the possibility of developing hydro generation facilities on the Bear River to provide power to the proposed pipeline and is actively participating in the permitting process.

Acknowledgments

The successes enjoyed by the Corporation, its customers, employees and shareholder in 2004/05 could not have been accomplished without the hard work, dedication and professionalism of our employees and I thank them for their tireless efforts.

The new Board of Directors has now fully settled into their role and has put a great deal of effort into pursuing hydro development opportunities. I would like to take this opportunity to welcome Gladys Norwegian of Hay River to the Board and acknowledge the efforts of Ray Woods whose term ended in November 2004.

Leon Courneya

Leon Courneya, FCA
President & CEO

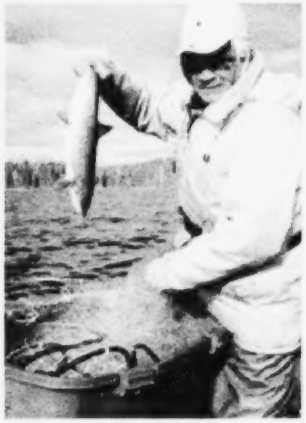
NTPC supports a wide variety of athletic and community programs across the NWT.

New Hydro Development Opportunities

Aboriginal organizations are working with the NWT Energy Corporation (03) Ltd. to explore hydro expansion opportunities.

Over the past year the NWT Power Corporation has continued to work with a number of northern partners to assess two potentially large scale NWT hydro developments. Both projects would require the development of significant new markets to be economically feasible.

South of Great Slave Lake, NWT Power Corporation subsidiary Northwest Territories Energy Corporation (03) Ltd. (NTEC03) has been working with the Northwest Territory Métis Nation and the Akaitcho Territory Government to research the feasibility of expanding the Taltson hydro development. In the Sahtu region, subsidiary Sahdae Energy Ltd. is researching the viability of developing a new hydro electric project on the Great Bear River in partnership with the people of Tulita and Deline.



Extensive environmental studies have been undertaken to assess hydro expansion proposals.

Taltson Hydro Expansion Project

The development of the diamond mining industry in the Northwest Territories has created a potential market for new, more environmentally friendly, source of electric power. At present all of the diamond mines in the NWT are operating, or planning to operate, large diesel generating sets to meet their electrical energy needs. These units require the transport and burning of a very large annual volume of diesel fuel. Additionally, dependence by the mines on diesel fuel exposes their profitability to the vagaries of world oil prices. Using an alternative energy source, such as competitively priced hydro electric power could be an attractive alternative.

Taken as a whole, the electrical energy requirements for the diamond mines currently operating in the NWT, as well as those in the project development phase, is approximately 45 MW. Feasibility level engineering analysis suggests that if 35 MW of new generating capacity was added to the current 10 MW of surplus power at Taltson, up to 45 MW of power could be delivered to the diamond mines at a competitive price. If the diamond mining industry winds down, alternative revenue could potentially be secured by the sale of power to southern Canada's electrical grid.

To ensure that the economic benefit of Taltson Hydro Expansion Proposal remains in the North, the NTEC03 is working in partnership with the Northwest Territory Métis Nation and the Akaitcho Territory Government. Although the structure of the ownership group has not yet been finalized, it is understood that regional ownership of the facility is key to ensuring that the majority of economic benefits from the proposal flow to residents of the NWT.

Great Bear Hydro Development Project

The enormous hydroelectric potential of the Great Bear River has been documented since the early 1970s. However, due to its remote location, the cost of transporting power to a customer base large enough to support the needed capital investment has been prohibitive. The recent pipeline application by the Mackenzie Valley Gas Pipeline Group may have the potential to change that. Should the pipeline project go ahead, a new market may be created that could justify the construction of a hydro plant on the Great Bear River.

It in its application, the Mackenzie Valley Gas Pipeline Group has indicated that it plans to use natural gas to power electrical generators and compressor stations along the pipeline route. Provided electricity can be sold to the pipeline at a competitive price, switching to hydroelectricity could add value to the pipeline project adding to the volumes of natural gas that could be sold over the project's lifetime.

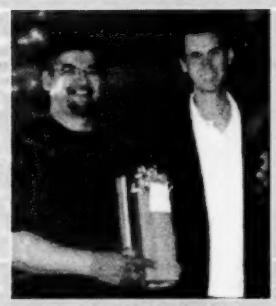
To assess this opportunity, a joint venture of the Deline Land Corporation and the Tulita Yamoria Community Secretariat has partnered with Sahdae Energy Ltd. (a subsidiary of the Northwest Territories Power Corporation). Pre-feasibility engineering studies suggest that a power generating station at the St. Charles rapids would need an installed capacity of approximately 126 MW yielding a firm capacity of about 92 MW. Since energy requirement for the portion of the proposed pipeline running from Norman Wells to Inuvik would be about 87 MW this site appears to be ideally suited for the provision of power to both the pipeline and select communities in the area.

Current estimates suggest that, for those communities that are switched to hydroelectricity, power rates could fall immediately by 25% and remain stable over time. With equity ownership by local governments the benefits would remain in the North. The project partnership was solidified with the signing of a Memorandum of Intent in June, 2005. Several meetings have been held with the pipeline proponents and, though their interest is best described as tentative, these discussions could lead to a common understanding of the benefits of hydroelectricity use for the pipeline owners and for the Northwest Territories as a whole.

Pre-feasibility engineering studies have been completed on a hydro development at the St. Charles rapids on the Bear River.

The Bear River has the potential to generate very large volumes of hydroelectric power.

2005 Long Service Award Recipients



NTPC presents long service awards each year to employees with more than five years service.

Employee	Position Title	Location	Years of Service
Brian Bishop	System Operator	Yellowknife	25
Ken Dies	Manager, System Control & Hydro Planning	Yellowknife	25
Robert Schmidt	Manager, Corp. Health, Safety & Environment	Yellowknife	25
John Kaodloak	Plant Superintendent	Holman Island	25
Brian Willows	Director, Delta-Sahtu & Corporate Operations	Hay River	25
Dale Finnemore	Plant Operator	Fort Simpson	25
John Wilkie	Maintenance Planner	Inuvik	25
Denis Rivard	System Operator	Inuvik	20
Steve James	System Operator	Yellowknife	15
Greg Mason	Plant Operator—Snare	Yellowknife	15
Eddie Chocolate	Plant Superintendent	Gameti	15
Glenn Colton	Industrial Warehouseperson	Inuvik	15
Jerry Lennie	Manager, Customer Service	Invuik	15
Dana Moran	Customer Service Liaison Officer	Inuvik	15
Tim Farrell	Specialist Engineer, Mechanical	Hay River	15
Marlene McMeekin	Financial Reconciliations Officer/Capital Planning Assistant	Hay River	15
Shayne Stainbrook,	CADD Technologist	Hay River	15
James Dasti	Power Lineperson	Fort Smith	10
Walter Schultz	Electrician	Inuvik	10
Bob Chapman	Electrical Engineer	Hay River	10
Pat Harrington	Secretary, Engineering Dept.	Hay River	10
Aaron Martin,	Electrical Technologist	Hay River	10
Matthew Walsh	IT Consultant	Hay River	10
Arlene Alcos	Management Accountant	Hay River	5
Glenn Smith	Business Systems Analyst	Hay River	5
Bob McPherson	Plant Superintendent	Tulita	5
Trudy Nelner	Customer Service Representative	Fort Simpson	5
Tom Deleff	Telecontrol Technician	Yellowknife	5

Sponsorships

In 2004/2005 NTPC's contributions, which totaled over $113,000, provided sponsorship to five programs and donations to 98 separate organizations and activities.

KidSport Kids across the NWT benefit from contributions that provide new opportunities for kids to participate in sports. The program brings sport and needy kids together—so all kids can play.

D.A.R.E. Program Several hundred students from across the NWT took part in the Drug Abuse Resistance Education programs run by the RCMP.

NWT Outstanding Volunteer Program Co-hosted with Municipal and Community Affairs, the program presents awards and cash prizes to individuals and organizations each year.

NWT Track & Field Championships More than 1,000 athletes participate in the championships each year.

Open Sky Festival This June festival in Fort Simpson features music and the arts.

South Slave Friendship Festival Fort Smith's Festival takes place each year in August in Fort Smith.

NTPC is a major sponsor of the RCMP's D.A.R.E. program.

Donations

- Aklavik – Christmas Lights
- Artists of South Slave
- Aurora College
- Beaver Tail Jamboree
- Beluga Jamboree
- Bosco Homes
- Charter Community of Deline
- CNIB
- Deh Cho Friendship Centre
- Deline Dene Band
- Dene First Nation, Yellowknife
- Deninu Drug & Alcohol Committee
- Dettah Volleyball
- D J Parent Action Association
- École Boreale School, Hay River
- E. Croft Achievement Award
- Elks Charity Golf Tournament
- Elks Tsunami Relief Fund
- Festival of Trees, Fort Smith
- First Nations Hockey Cup
- Fort Resolution Boys Soccer
- Fort Resolution Dog Mushers
- Fort Resolution Girls Soccer
- Fort Simpson Army Cadets
- Fort Smith Animal Hospital
- Fort Smith Cooperative Nursery
- Girl Guides of Canada
- Green and Gold Golf Course
- Hamlet of Fort McPherson – Christmas Lights
- Hamlet of Tuktoyaktuk Playground
- Hay River Aquatic Centre
- Hay River Catholic Women's League
- Hay River Chamber of Commerce
- Hay River Curling Club
- Hay River Figure Skating
- Hay River Golf Course
- Hay River Gymnastics Club
- Hay River Harry Camsell School
- Hay River Junior Boys Curling
- Hay River Play School
- Hay River Secret Santa
- Hay River Ski Club
- Hay River Volleyball
- Hay River Women's Hockey
- Healthy Initiatives Playground
- Helen Kalvik School
- Inuvik Aquatic Centre
- Inuvik Christmas Lights
- Inuvik Curling Club
- Inuvik End of the Road Music Festival
- Inuvik Family Centre
- Inuvik Girls Soccer
- Inuvik Volunteer Award
- Jean Marie River First Nation
- Katlodeeche First Nation
- Kiwanis Clubs
- Lions Clubs
- Lutselke' Minor Soccer
- Mad Trapper
- Muskrat Jamboree
- Native Women's Association NWT
- NWT Association of Communities
- NWT Chamber of Commerce
- NWT Firefighters Curling Championship
- NWT Literacy Council
- NWT Minor Hockey Association
- NWT Raiders Hockey Team
- NWT Winter Games
- Open Sky Creative Society
- Our Kids, Our Future
- Peel River Jamboree
- Pehdzeh First Nation
- Pelican Rapids Golf & Country Club
- Princess Alexander School
- PW Kaeser High School
- Raquet Club, Yellowknife
- Rotary Clubs
- Royal Canadian Legions
- Sachs Harbour – Christmas Lights
- Sachs Harbour District Education
- Sachs Harbour White Fox Jamboree
- SAMS School
- Sir John Franklin High School Dry Grad
- St. Patrick's High School Dry Grad
- Super Soccer League NWT
- Team Diabetes Canada
- The Hospital Activity Book for Children
- Thomas Simpson School
- Town of Fort Smith
- Town of Inuvik
- Treaty Eight First Nations Hockey
- Tuktoyaktuk Recreation Department
- Tulita Land Corporation
- Wha Ti Charter Community
- Wha Ti Minor Hockey Association
- Wha Ti St. Michael's Parish
- Yellowknife Association of Concerned Citizens
- Yellowknife Facilities for Kids

Management's Discussion and Analysis

Located 15 km southwest of Snare Rapids, the Johnny Simpson Power Plant is the second downstream hydro plant on the Snare River. Commissioned in 1961, the plant can generate 7.5 MW from a variable pitch turbine.

The following Discussion and Analysis is intended to provide an historical and prospective analysis of the Corporation with 2004/05 financial performance as the primary focus. Management assumes full responsibility for the information provided in this Discussion and Analysis and confirms that appropriate information systems, procedures and controls are in place to ensure that the information provided is both complete and reliable. These comments should be read in conjunction with the Consolidated Financial Statements included in this report.

Description of the Corporation's Operations

The Northwest Territories Power Corporation (Corporation) is a Crown Corporation of the Government of the Northwest Territories (GNWT) and is a public agency under the *Financial Administration Act*. Under the *Northwest Territories Power Corporation Act*, it is the responsibility of the Corporation to generate, transform, transmit, distribute, deliver, sell and supply energy throughout the Northwest Territories (NWT) on a safe, economic, efficient and reliable basis. The Corporation is regulated by the Northwest Territories Public Utilities Board (PUB).

The Corporation distributes electricity to the end use consumer in 26 of 33 communities and supplies electricity on a wholesale basis to 2 distributing utilities, which in turn retail electricity to customers in Yellowknife and the Hay River Area. The Corporation's facilities include hydroelectric, diesel and natural gas generation plants, transmission systems and numerous isolated electrical distribution systems. The Corporation also owns and operates alternative energy assets used for the supply of residual heat, solar power and co-generation.

Extremely low customer densities, harsh climate, geographic area of the NWT and the consequential logistical challenges, as well as the lack of an integrated transmission system, set the Corporation apart from most utilities, as does the fact that the Corporation's generation is based on a mix of hydro, natural gas and diesel facilities. The unique environment within which the Corporation operates has a profound impact on the Corporation's operations throughout its service area. A map of the NWT illustrates the operating area of the Corporation, a land area that rivals the largest province in Canada. This map highlights the isolation of many of the communities that we serve – some accessible only by air, barge or winter road. The population is divided among the communities, with only 6 of 33 communities larger than 1,000 persons, none greater than 20,000 and the remaining twenty five communities all with populations less than 1,000. Total electrical load is approximately 68 MW with isolated power systems having generating capacities ranging from 65 MW at Snare/Yellowknife to 240 kW at Colville Lake and with the exception of the two small hydro grids these systems are isolated and unconnected, each must be planned for and operated independently.

In 2004/05 the Board of Directors approved a new strategic plan for the regulated business of the Corporation. The new plan articulates the Vision for 2010 and identifies the strategies to achieve the Vision.

The Corporation set objectives and strategies in 2004/05 to be efficient and effective while maintaining or improving reliability, delivering quality customer service, operating safely and protecting the environment. In addition, the

Operating Area

Corporation continued to work with aboriginal partners to explore hydro development opportunities. The shareholder set the strategic direction which encompassed the core regulated utility business as well as the development of hydro.

The corporate structure was amended in 2004 to position the Corporation to meet its strategic direction. The Corporation now has a total of four subsidiaries. The two new subsidiaries are Sahdae Energy Limited, a corporation to pursue the hydro potential of the Bear River and 5383 NWT Limited, a dormant corporation that will be utilized for future ventures. Further amendments to the corporate structure are in progress. When complete, a holding company will be the parent company, with five subsidiaries, one of which will be the regulated company. The Corporation's existing four subsidiaries will be transferred to the holding company.

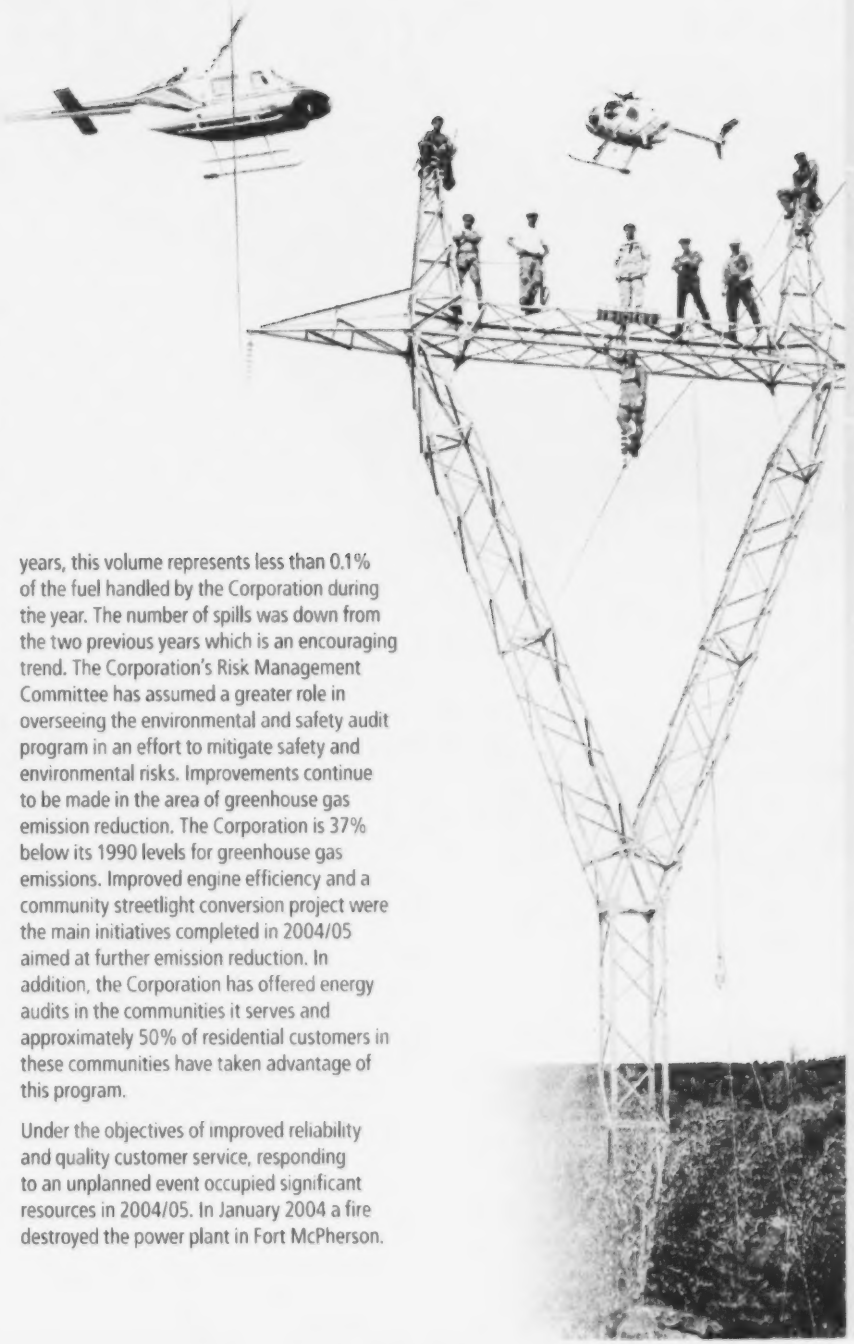
Discussion of Objectives and Strategies for 2004/05

The Energy Corporation (03) Ltd (NTEC03) and Sahdae Energy Limited continued to work with aboriginal partners in 2004/05 to progress hydro projects on the Taltson and Bear rivers. The emphasis for the fiscal year was to complete feasibility work on the Taltson project and to further discussions with potential customers for both of these projects. The Bear river project is a 126 MW hydro generating facility which would be built to provide power to the Mackenzie Valley Pipeline and several communities in close proximity to the proposed transmission line. The Taltson project is a 35 MW project and is being looked at from the potential to supply the NWT diamond industry or alternatively to tie into the southern Canada transmission grid. NTEC03 and Sahdae will continue to work on these projects in 2005/06 to secure customers and move the projects to the feasibility stage.

The Corporation's employees recorded zero lost time accidents in 2004/05 bringing the period without a lost time accident to 18 months, as of March 31, 2005. This outcome was achieved through the commitment of everyone to safe work practices. The Corporation's safety commitment extends beyond the workplace to the community through the electricity safety presentations at schools and trade shows. The Corporation's safety culture is supported by the safety audits that are completed each year and the safety training provided to existing and new employees.

The Corporation continues to deliver services in an environmentally responsible manner. The Corporation's spill record, with a total volume of 27,000 litres, was significantly higher than prior years, with one spill accounting for just over half this volume. While higher than previous years, this volume represents less than 0.1% of the fuel handled by the Corporation during the year. The number of spills was down from the two previous years which is an encouraging trend. The Corporation's Risk Management Committee has assumed a greater role in overseeing the environmental and safety audit program in an effort to mitigate safety and environmental risks. Improvements continue to be made in the area of greenhouse gas emission reduction. The Corporation is 37% below its 1990 levels for greenhouse gas emissions. Improved engine efficiency and a community streetlight conversion project were the main initiatives completed in 2004/05 aimed at further emission reduction. In addition, the Corporation has offered energy audits in the communities it serves and approximately 50% of residential customers in these communities have taken advantage of this program.

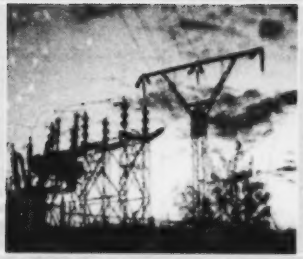
Under the objectives of improved reliability and quality customer service, responding to an unplanned event occupied significant resources in 2004/05. In January 2004 a fire destroyed the power plant in Fort McPherson.



The NWT Power Corporation received Gold Champion Reporter Status in 1999 through to 2004.

The NWT Power Corporation received the Leadership Award for "Best New Submission" in 1999.

In addition, the corporation received the "Sector Leadership Award—Electical Utilities" in 2001, with Honorable Mentions in 1999 and 2003.



Frank Channel substation (servicing Rae/Edzo) at midnight.

The Corporation committed to an accelerated plant rebuild schedule and a new plant was operational less than a year later when it normally would have taken three years. Credit for this project goes to a dedicated team of employees who organized and executed a fast-track plan to rebuild the facilities damaged by the fire and upgrade the distribution system. Corporate-wide, both system availability and length of outages showed improvements over the previous year. From the customer's perspective the lights were on 99.98% of the time and when the lights did go out, the average time to restore power was 16 minutes.

Customers were surveyed in 2004/05 to obtain feedback on service levels. Survey results showed improvement in all areas over the last survey that took place in 2003/04 with over 90% of customers indicating overall satisfied or better with the service they receive. Included in the Corporation's strategies to improve customer service were energy efficiency initiatives – energy audits, streetlight conversions; customer communication – newsletters, community meetings, communiqués on rates and riders; customer service training; and sponsorships and donations – Drug Awareness Resistance Education (DARE), NWT track and field championships, NWT Volunteer Awards, South Slave Friendship Festival, Open Sky Festival, KidSport and over seventy five miscellaneous donations to causes primarily aimed at youth.

The rebuild of the Fort McPherson power plant was completed in less than a year after a major fire destroyed the plant in January 2004. Community residents celebrate the opening of the rebuilt plant.

This fiscal year also marked the full integration of Bluefish hydro into the Corporation's largest transmission grid and the operating adjustments necessary to respond to a drop in industrial load due to the closure of Yellowknife's two operating gold mines. The Corporation purchased Bluefish hydro from Miramar Con mine in 2003. The wholesale load in Yellowknife continues to grow and through the acquisition of Bluefish hydro, the Corporation is able to serve customers on this grid primarily with hydro generation.

In 2004/05, the Corporation produced 71% of its generation with hydro and 21% with diesel. The remainder was a mix of purchased power and gas generation. The forecast diesel for 2005/06 is 18% showing continued movement toward more hydro power. Shifting the mix of generation to produce more power with hydro and less with diesel moves the Corporation away from the higher cost forms of generation in those communities that are tied into the hydro grid. For many communities, diesel generation is the only viable alternative and fuel prices, combined with a small customer base, will continue to impact the price of electricity. Five rate riders are now in place to recover the cost differential in fuel prices over what is included in rates. The Corporation has fuel stabilization funds that track the difference between the price of fuel used for rate setting purposes and the actual fuel price used to provide service. The price of fuel has increased to $60 US a barrel, double the price that was used for rate-setting purposes.

Another objective under reliability was to obtain PUB approval of capacity planning criteria for the areas served by the Corporation. The planning criteria recognize the remote operating area of many of the communities served. The approved criteria will form the basis for future generation and transmission capacity planning, balancing the issues of affordability with the need to ensure reliable service.

Planning for the future also includes succession planning. All senior and middle management positions have succession plans. Within the utility industry there are some positions that are difficult to recruit to and these pose a different challenge. In the case of line personnel, the Corporation initiated an apprentice line program in 2004/05. Five candidates were accepted into the program and all completed their entry level trades exam. The apprentice line crew travels to all communities in the service area to deliver line services. This program is designed to meet the Corporation's long term needs for line personnel and provides a unique career opportunity for Northerners.

The Corporation set a number of performance measures for 2004/05, designed to measure differing aspects of corporate performance. Performance targets were set for system reliability, efficiency, safety, human resource retention and financial results. The 2004/05 Objectives and Strategies were set to maximize performance in each category. The Corporation's return on equity for 2004/05 is 8.0%. This return reflects the Corporation's investment in hydro development projects. The Corporation is expecting the return on equity in 2005/06 will be in line with the return achieved in 2004/05. The following table illustrates some of the 2004/05 Performance Measurement Targets and Results and also provides prospective targets for 2005/06.

Results of Operations

Net income for 2004/05 is $6.4 million, a decrease from 2003/04 of $0.8 million. The Corporation recorded electricity sales of $66.4 million in 2004/05, up $0.4 million or 6.5 GWh over the prior year. Declining industrial sales were offset by increased sales in wholesale and residential. The decline in other revenues completely offset the modest growth in electricity sales. Total operating expenses held steady to prior year levels with notable declines in both salaries and fuel expense, despite inflation. These decreases were offset by increases in travel and supplies and services.

Interest expense was up $0.2 million over the prior year. The Corporation borrowed long term to finalize the Bluefish hydro purchase and also converted $15.0 million in short term debt to long term. Contract work and interest income were down from the prior year, reducing net income by $0.2 million.

Expenditures on hydro development were up $0.1 million over the prior year and account for $1.3 million of the consolidated operating expense in 2004/05. After paying a dividend of $3.3 million to the Shareholder, the Corporation increased retained earnings by $3.1 million.

On April 1, 2001 the Nunavut Power Corporation (NPC) assumed ownership and operation of all assets and liabilities related to the provision of power in the territory of Nunavut which had previously been part of the Northwest Territories. In 2004/05 the Corporation completed all transactions related to the allocation of assets and liabilities related to Division. The Corporation received $5.1 million from NPC, paid $2.2 million to the Government of Nunavut for a dividend declared in 2000/01 and reduced retained earnings $0.6 million.

The Corporation's 2005/06 budgeted net income is $6.6 million including the unregulated subsidiary operations.

Performance Measure	Long Term Target	2004/05 Expected Results	2004/05 Actual Results	2005/06 Expected Results
Debt/Equity	55/45	60/40	61/39	60/40
Plant Efficiency	3.85	3.54	3.64	3.66
Operating Cost per kWh generated	12.00 cents/kWh	14.16 cents/kWh	13.73 cents/kWh	13.98 cents/kWh
Safety – Average lost workdays per 200,000 hrs worked– last 5 years	0	7.74	10.31	10.3
System Availability	100%	99.97%	99.98%	99.98%
Staff Turnover	5%	5.7%	6.1%	5.45%

The apprentice line crew at work in the South Slave region.

Elementary School - Safety Awareness Program.

Revenues and Expenditures

Residential and wholesale groups led the way in sales growth over 2003/04. As expected, industrial sales were down $1.0 million due to the effective closure of both gold mines in Yellowknife. General Service sales were up slightly from the prior year and streetlight sales held constant. Streetlight sales are expected to decline slowly as all communities move to convert to energy efficient lights.

The table below illustrates sales by customer group in dollars and units.

With the exception of industrial sales, which are declining, electricity sales are expected to be relatively flat in 2005/06 across all customer classes. Oil and gas activity and diamond mining activity have the ability to positively or negatively impact this forecast significantly but the impacts for 2005/06 are uncertain at this time.

Operating expenditures (excluding amortization and interest expense) totaled $44.7 million in 2004/05 which is unchanged from the prior year. Some shifting took place between the operating expense categories. Salaries and wages and fuel expense were both down $0.6 million from the prior year. Supplies and services were up $0.9 million and travel and accommodation was up $0.3 million. The decline in salaries was due to changes implemented to streamline operations. Fuel cost reductions were due mainly to significantly reduced industrial loads and access to more hydro power due to the early closure of the two gold mines in Yellowknife. Inflation added to the cost of supplies and services and travel expenses.

In 2005/06 the Corporation's operational expenses are expected to be in line with the total operating expense for 2004/05 despite the impact of inflation. Management anticipates that a new collective agreement will be finalized in 2005/06.

The Corporation has maintained a liability for the future removal of assets and the restoration of sites since 1992. The estimated cost for the removal and restoration is an integral part of amortization expense and has been approved by the PUB. To date a liability of 37.2 million has been established. In 2003 new accounting requirements were issued requiring all companies to establish a liability for asset removal and site restoration (asset retirement obligation) if the company has a legal obligation to remove assets or restore sites. A legal review of the Corporation's contracts, leases and the laws it operates under identified a legal requirement to restore sites for its transmission assets and some of its distribution assets. Since the Corporation expects to operate these assets in perpetuity it is not possible to make a reasonable estimate for the fair value of these obligations at this time however we will continue to monitor these and record an asset retirement obligation when known.

The Corporation is maintaining the restoration liability established by the PUB and will continue to use it to fund the restoration of all sites. During 2004/05 $1.4 million was charged against the reserve for future removal and site restoration.

Electrical Sales by Customer Class

	Electrical Sales ($ milion)			Electrical Sales (GWh)		
	2005	2004	Change	2005	2004	Change
General Service	22.0	21.9	0.1	58.5	57.9	0.6
Residential	18.8	17.8	1.0	45.0	43.6	1.4
Wholesale	23.0	22.5	0.5	198.8	193.0	5.8
Industrial*	1.6	2.8	(1.2)	33.0	34.3	(1.3)
Streetlights	1.0	1.0	0.0	1.8	1.8	0.0
Total	66.4	66.0	0.4	337.1	330.6	6.5

** Industrial numbers for 2004 have been restated to be consistent with the 2005 format of including generation coverd under purchased power credits provided to Miramar Con Mine*

Financing Activities

The Corporation issued $25.0 million new long term debt in 2004/05, $15.0 million of the new debt was used to convert short term debt related to capital projects and $10.0 million was used to retire the note payable to Miramar Con Mine Limited for the purchase of Bluefish hydro.

The Corporation is reviewing its borrowing requirements for 2005/06 and given the favourable long term interest rate market, may borrow up to $15.0 million to finance capital projects.

Capital Expenditures

Each year the Corporation makes an investment in its capital infrastructure to replace assets that have reached the end of their useful lives. In 2004/05 the Corporation

had a larger capital program than normal due to the Fort McPherson plant replacement project. Capital expenditures for 2004/05 totaled $17.6 million, the majority of which was spent on projects to maintain or improve reliability and to meet capacity requirements. The capital identified for 2004/05 includes Bluefish hydro upgrades which were contemplated at the time of purchase. The following charts illustrate the breakdown of capital spending by category for 2004/05 and the planned spending in 2005/06 which totals $14.4 million.

Outlook for 2005/06

The regulated business will continue to implement the new strategic plan approved in 2004/05. Strategies are in place under the broad headings of Employee Motivation and Commitment, Growth Opportunities, Efficiency and Effectiveness, Working with Stakeholders and Strong Customer Base. The subsidiaries will continue to take the lead in hydro development, working with aboriginal partners to bring these projects to the next level.

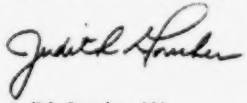
The Corporation will also be planning its next rate application with the potential for 2006/07 as the first test year. Important elements of the next rate application will be incorporation of current fuel prices, salary and wage and other inflation impacts since the last application. We will also be looking at how the Bluefish hydro acquisition and the lower industrial load coupled with the reduced diesel required for the Yellowknife zone will impact rates. Other changes since the last rate application will also be reflected along with options for rate design.

The consolidated operations and maintenance budget is targeted to earn a 7.8% return on equity and the Corporation will deliver a capital plan that keeps pace with the use of assets and incorporates improvements to the Bluefish hydro plant. Two major projects planned for fiscal 2005/06 are the new modular Aklavik diesel plant and the upgrade of the Snare Rapids hydro facility originally constructed in 1948.

The Corporation will be implementing a corporate-wide enterprise risk management system in 2005/06 and will also implement a new computer system. These projects will involve significant internal and external resources and are aimed at improving resource allocation, customer service and business opportunity response.

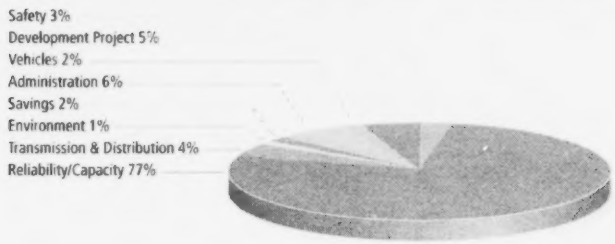
Safety and environment will continue to be emphasized in fiscal 2005/06. The Corporation will begin implementing its ISO 14001 environmental management system.

It is our privilege to serve the people of the Northwest Territories. These next few years could hold great potential for growth in hydro power. Our commitment to our customers is to provide them with safe reliable quality customer service from all sources of generation.

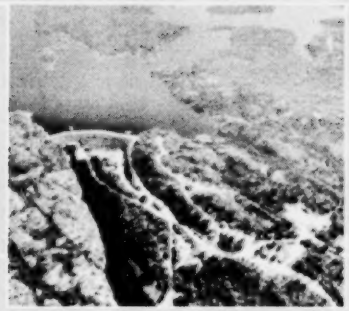


Judith Goucher, MA
Director, Finance & CFO

2004/05 Capital Expenditures by Category



2005/06 Capital Commitments by Category



Aerial photo of the Ted Humphry's Plant at Snare Rapids.

Great Bear Partners

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). Where GAAP permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Power Corporation (the Corporation) is regulated by the Public Utilities Board of the Northwest Territories, which also examines and approves its accounting policies and practices. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Corporation maintains financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further the Corporation's aims, are protected from loss or unauthorized use and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a territorial Crown corporation. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the consolidated financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

The Board of Directors appoints certain members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and free access to the Audit and Efficiency Committee.

The consolidated financial statements have been approved by the Board of Directors.

Leon Courneya, FCA
President & CEO

Judith Goucher, MA
Director, Finance & CFO

Hay River, NT
May 27, 2005

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

I have audited the consolidated balance sheet of the Northwest Territories Power Corporation as at March 31, 2005 and the consolidated statements of earnings and retained earnings, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the classification of the provision for future removal and site restoration as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and its wholly-owned subsidiaries and the consolidated financial statements are in agreement therewith and the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, *the Northwest Territories Power Corporation Act*, and the by-laws of the Corporation and its wholly-owned subsidiaries.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 27, 2005

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Consolidated Statement of Earnings and Retained Earnings

For the year ended March 31 ($000's)

	2005	2004 (restated Note 4b)
Revenues		
Sale of power	$ 66,410	$ 66,019
Other (Note 5)	1,698	2,336
	68,108	68,355
Expenses		
Salaries and wages	15,761	16,409
Fuels and lubricants	15,016	15,550
Supplies and services	11,735	10,822
Amortization, property, plant & equipment	7,239	7,159
Travel and accommodation	2,191	1,880
Amortization, deferred charges	312	360
	52,254	52,180
Earnings from operations	15,854	16,175
Interest income	377	467
Contract work, net (Note 6)	44	133
Earnings before interest expense	16,275	16,775
Interest expense (Note 7)	9,846	9,596
Net earnings	6,429	7,179
Retained earnings at beginning of year, as restated (Note 4 &16)	36,097	32,418
Capital adjustment (Note 4a)	(285)	-
Dividend (Note 8)	(3,300)	(3,500)
Retained earnings at end of year	$ 38,941	$ 36,097

See accompanying notes

Consolidated Cash Flow Statement

For the year ended March 31 ($000's)

	2005	2004
Cash flows from operating activities		
Cash receipts from customers	$ 69,479	$ 73,725
Cash paid to suppliers and employees	(50,429)	(48,066)
Interest received	220	289
Interest paid	(10,400)	(10,063)
Cash flows from operating activities	8,870	15,885
Cash flows used in investing activities		
Property, plant and equipment constructed or purchased	(25,921)	(11,124)
Proceeds from sale of property, plant and equipment	10	13
Cash flows used in investing activities	(25,911)	(11,111)
Cash flows from (used in) financing activities		
Repayment of long-term debt	(998)	(964)
Proceeds from long-term borrowings	25,000	-
Received from Nunavut Power Corporation related to Division (Note 4)	5,111	-
Net (repayment) / proceeds from short-term borrowings	(1,000)	997
Repayment of net lease obligation	(118)	(144)
Sinking fund instalments	(3,308)	(3,008)
Dividends paid	(5,718)	(4,000)
Cash flows from (used in) financing activities	18,969	(7,119)
Net increase (decrease) in cash	1,928	(2,345)
(Bank indebtedness) cash at beginning of year	(1,772)	573
Cash (bank indebtedness) at end of year	$ 156	$ (1,772)

See accompanying notes

As at March 31 ($000's)

	2005	2004 (restated Note 4b)
Assets		
Property, plant and equipment (Note 9)		
Plant in service	$ 294,133	$ 272,681
Less accumulated amortization	(72,215)	(70,377)
	221,918	202,304
Construction work in progress	4,808	16,767
	226,726	219,071
Current assets		
Cash	156	-
Accounts receivable	13,646	11,152
Inventories	6,832	5,992
Prepaid expenses	647	1,156
	21,281	18,300
Other long-term assets		
Due from Nunavut Power Corporation (Note 4)	-	5,309
Sinking fund investments (Note 10)	28,850	24,082
Regulatory assets (Note 11)	15,879	11,051
Other deferred costs	642	522
	45,371	40,964
	$ 293,378	$ 278,335
Liabilities and Shareholder's Equity		
Long-term debt		
Long-term debt, net of sinking fund investments (Note 12)	$ 110,304	$ 91,106
Sinking fund investments presented as assets	28,850	24,082
Net lease obligation (Note 13)	1,539	1,622
	140,693	116,810
Current liabilities		
Short-term debt and bank indebtedness (Note 14)	10,000	12,772
Accounts payable and accrued liabilities	12,927	10,527
Dividends payable	3,300	5,799
Note payable for Bluefish	-	9,399
Current portion of long-term debt (Note 12)	1,032	999
	27,259	39,496
Other long-term liabilities		
Regulatory liabilities (Note 11)	40,867	40,781
Employee future benefits (Note 15)	2,489	2,022
	43,356	42,803
Shareholder's equity (Note 16)	82,070	79,226
	$ 293,378	$ 278,335
Commitments and contingencies (Note 17)		

See accompanying notes

Approved on behalf of the Board:

Richard Nerysoo, Chairman of the Board

Louis Sebert, Director

1. Authority and operation

The Corporation is established under the *Northwest Territories Power Corporation Act*. The Corporation is a public agency under Schedule B of the *Financial Administration Act* and is exempt from income tax.

The Corporation operates diesel, natural gas and hydroelectric production facilities to provide utility services on a self-sustaining basis in the Northwest Territories.

2. Accounting policies

Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries NWT Energy Corporation Ltd., NWT Energy Corporation (03) Ltd., Sahdae Energy Ltd., and 5383 NWT Ltd.

NWT Energy Corporation Ltd., under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility. The NWT Energy Corporation (03) Ltd. has two operations: the operation, management and shared ownership of one residual heat project in Fort McPherson and the development of business opportunities outside the regulated business including development of hydroelectric projects. Sahdae Energy Ltd. began operations in 2005. Its mandate is to pursue a hydro development project on the Great Bear River to provide power to the potential Mackenzie Valley pipeline. 5383 NWT Ltd. is an inactive company.

Rates and regulation (excluding sales by subsidiaries)

The Corporation is regulated by the Public Utilities Board of the Northwest Territories (PUB), which administers regulations covering such matters as rates, financing, accounting, construction, operation, and service area. The PUB is an entity independent from the Corporation. The PUB sets the Corporation's electricity rates on a community cost of service basis for a given year. The PUB uses cost of service regulation to regulate the Corporation's earnings on a rate of return basis. In the last General Rate Application the PUB approved an allowed rate of return of 9.5%. The PUB is required by the *Public Utilities Act* to review the affairs, earnings and accounts of the Corporation a minimum of every three years.

The PUB has the authority to include or exclude costs, revenues, losses or gains in the rates for a given year, resulting in a difference in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Corporation's regulatory assets represent certain amounts receivable from customers in the future and costs that have been deferred for accounting purposes that will be recovered in future rates. The Corporation also has regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case if the Corporation was unregulated. Specific regulatory assets and liabilities are disclosed in Note 11.

As a result of rate regulation, the regulatory accounting policies adopted by the Corporation may differ from the accounting policies typically followed by unregulated entities. Specifically, policies in relation to regulatory assets and liabilities and amortization policies are different. A summary of the significant accounting policies follows. The PUB has approved the accounting treatments described.

Regulatory Assets

The L-199 transmission line costs captures the amounts spent to recommission and litigate outstanding issues with respect to the L-199 transmission line. The PUB approved these costs in the 2001/02 General Rate Application. The PUB directed that these costs be set up in a deferral account until such time as the litigation is completed. Once this process is complete, the PUB will set the period of recovery and allocation of cost in rates.

The Rate Stabilization Funds mitigate the impact on utility rates of changes in diesel and natural gas fuel prices as well as fluctuations in hydro generation caused by water levels. The impact of any increases or decreases in fuel prices or hydro generation over the PUB approved amounts is deferred. The deferred amounts are accumulated until PUB specified limits are reached, at which time rate-riders are applied, with PUB approval, to recover or refund the amounts necessary to bring the funds back to the approved limits.

The Snare Cascades Deferral Account eased the impact on utility rates resulting from the Snare Cascades project being added to the rate base in 1997. The increase in costs caused by the hydro project addition to the rate base, net of savings from displaced diesel generation, was deferred for five years. These costs are being recovered through a PUB approved rate-rider through 2011.

The Reserve for Injuries and Damages includes costs for uninsured and uninsurable losses and the deductible portion of insured claims. The PUB approved $485 to be included in annual expenses for this fund.

Regulated Employee Future Benefits represent benefits accrued under employment agreements since April 1, 2001.

Financing costs relating to the issue of long-term debt are amortized on a straight-line basis over the remaining term of the related debt.

Regulatory Costs include incremental expenses incurred to apply to the PUB for a multi-year General Rate Application (GRA). The PUB approved $228 to be included in annual expenses for this fund.

The Normalized Overhaul Costs include costs to overhaul hydro, diesel and natural gas units that occur over the life of these assets. The PUB approved $1,573 to be included in annual expenses for this fund.

The regulatory assets noted above are charged to operations at PUB approved amounts that are estimated to annualize the costs over time or will be recoverable in the future through straight line rate collections (refunds).

Other regulatory assets include the pending insurance claims costs and other costs. These costs are subject to recovery through insurance, the courts or the customers through PUB decisions.

Regulatory Liabilities

The Reserve for Future Removal and Site Restoration is a deferral account that records the funds collected from customers for the future removal of assets and the restoration of the Corporation's operating sites. A provision for environmental costs related to future costs required to remediate past contamination is also included in the reserve. This reserve increases annually using PUB approved amortization rates applied over the estimated useful lives of the related assets on a straight-line average group useful life basis. Due to the long term nature of the assumptions made in deriving these estimates, the reserve is periodically revised and updated for current information. Actual costs incurred in a given year for asset removals, site clean up or environmental remediation are charged to this account.

Deferred revenues reflect contributions to aid in the construction and acquisition of property, plant and equipment. Deferred revenues are amortized on the same basis as the related property, plant and equipment, and the resulting credit is offset against the corresponding provision for amortization of property, plant and equipment.

Revenues

Sale of power, interest, contract and other revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Property, plant and equipment

Property, plant and equipment are recorded at original cost and include materials, direct labour and a proportionate share of directly attributable overhead costs and an allowance for funds used during construction which provides for a return on capital at a rate approved by the PUB.

Included in amortization expense and regulatory liabilities is an amount allowed for regulatory purposes for future removal and site restoration costs. Actual costs of removal and restoration are recorded against this balance in regulatory liabilities in Note 11.

When a regulated asset is retired or disposed of the retirement of these assets is charged to the accumulated amortization with no gain or losses reflected in operations. Gains or losses arising from exceptional circumstances are included in earnings.

For the year ended March 31 ($000's)

Amortization

Amortization of property, plant and equipment is provided on the straight-line average group useful life basis, at rates which are approved by the PUB, a portion of which is accounted for as a reserve for future removal and site restoration costs. Amortization is suspended when assets are removed from service for an extended period of time.

Amortization rates are as follows:

	%
Electric power plants	1.16 - 5.25
Transmission and distribution systems	1.09 - 4.66
Electric power plants under capital lease	1.16 - 5.25
Warehouse, equipment, motor vehicles and general facilities	1.76 - 9.76
Other utility assets	2.5 - 20.0
Other	20.0

Inventories

Fuels and lubricants and materials and supplies are valued at average cost.

Asset retirement obligations

As of April 1, 2004, the Corporation retroactively adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3110, "Asset Retirement Obligations". This new standard identifies the recognition, measurement and disclosure of legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. An asset retirement obligation is recorded as a liability, with a corresponding increase to property, plant and equipment.

The Corporation has asset retirement obligations for certain of its transmission and distribution assets. However, the Corporation expects to operate these assets in perpetuity and therefore it is not possible to make a reasonable estimate of the fair value of these obligations at this time. The Corporation intends to recognize asset retirement obligations when the timing and cost can be reasonably estimated.

Sinking fund investments

Securities held in sinking funds are recorded at cost. Interest, dividends and realized gains and losses are included in sinking fund income. Unrealized gains are not recognized. Unrealized losses are recognized only when the decline in value is considered other than a temporary decline in the value of the sinking fund investments.

Public Service Pension Plan

Employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. The Corporation's contributions to the Plan are expressed as a percentage of employees' contributions. The percentage may fluctuate from year to year depending on the experience of the Plan. The Corporation's contributions are charged to operations on a current basis and represent the total pension obligations. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Plan.

Employee future benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for resignation, retirement and ultimate removal costs based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these non-pension benefits has been determined based on management's best estimates and accrued as a liability as employees render service.

Measurement uncertainty

To prepare these financial statements in accordance with Canadian generally accepted accounting principles, management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Significant estimates include amortization, employee future benefits, regulatory assets and liabilities and asset retirement obligations.

New accounting recommendations

In January 2005 the CICA issued a number of new Handbook Sections including Section 3855 "Financial Instruments – Recognition and Measurement", Section 1530 "Comprehensive Income" and Section 3251 "Equity". Section 3855 "Financial Instruments – Recognition and Measurement" provides standards on the recognition and measurement of financial assets, liabilities and non-financial derivatives. Section 1530 "Comprehensive Income" establishes standards on the reporting and display of changes in equity from transactions and other events and circumstances from non-owner sources (comprehensive income). Section 3251 "Equity" established standards for the presentation of equity and changes in the reporting period. All of these Sections are effective for fiscal years beginning on or after October 1, 2006. The Corporation is currently evaluating these Sections and their implications in a regulated environment.

In May 2005 the CICA issued Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". The purpose of this guideline is to ensure that financial statement users are better informed about the existence, nature and effects of all forms of rate regulation. This Guideline is effective for fiscal years ending on or after December 31, 2005. The Corporation has implemented some of the disclosures defined in this Guideline in Note 11 of the 2005 financial statements and plans to have full disclosure of rate regulated operations as defined by Guideline 19 in its 2006 financial statements.

3. Change in accounting policy

Reserve for future removal and site restoration

As a consequence of the implementation of asset retirement obligations, the CICA Handbook removed the requirement to record a provision for Future Removal and Site Restoration. However, this liability is provided for by PUB direction as an integral part of the amortization expense which the Corporation continues to collect from customers. Therefore the balance in this account has been retroactively reclassified and included as a regulatory liability.

4. Division – capital adjustment and correction of error

All corporate operations within the Nunavut Territory were taken over by the Nunavut Power Corporation (NPC) on April 1, 2001. The allocation of the Corporation's assets, liabilities and shareholder's equity between its Nunavut operations to NPC and its Northwest Territories operations to the Corporation was governed by two agreements, a due diligence process and approval by the Corporation, Government of the Northwest Territories (GNWT), NPC and the Government of Nunavut (GN). Certain allocations in the division process were disputed and taken to arbitration as set out in the agreement.

In September 2004 the disputed allocations were settled, and the amount owing to the Corporation was calculated at $5,111. At this time the receivable from NPC was $5,733. The remaining balance of $622 was accounted for as follows:

a) Capital adjustment
$285 of the $622 was the final settlement on the allocation of assets, liabilities and shareholders' equity between the Corporation and NPC. The $285 has been accounted for in the same manner as was done for the original allocation, as a capital adjustment reducing retained earnings.

b) Correction of error
The remaining balance of $337 is a correction of an error in 2002 in calculating interest due from NPC to the Corporation. The financial statements of prior periods have been restated to account for this error, reducing retained earnings from $32,755 to $32,418 and the receivable from NPC from $5,646 to $5,309.

5. Other revenues

	2005	2004
GNWT funding of pension expenses (Note 15)	$ 618	$ 931
User fees	340	406
Connection fees	318	207
Contract work	194	174
Miscellaneous	177	547
Heat	51	71
	$ 1,698	$ 2,336

6. Contract work

The Corporation had an agreement with the NPC, to provide engineering services. This agreement was cancelled in November 2004. The Corporation provides contract services to NPC on an individual project basis. The revenues and expenses to provide contract services are outside of the normal operations of the Corporation and therefore are reflected separately on the income statement. The Corporation's gross revenues from the contract were $335 (2004 - $720) and the associated expenses were $291 (2004 - $587) for net earnings of $44 (2004 - $133). There were no assets or liabilities in the Corporation held solely for the purpose of this contract.

7. Interest expense

	2005	2004
Interest on long-term debt	$ 12,133	$ 11,935
Short-term financing costs	328	292
Sinking fund income	(1,460)	(1,425)
Capitalized allowance for funds used during construction	(1,155)	(1,206)
	$ 9,846	$ 9,596

8. Dividend

Pursuant to the *Northwest Territories Power Corporation Act*, the GNWT directed the Corporation to declare a dividend of $3,300 (2004 - $3,500).

9. Property, plant and equipment

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	$ 169,448	$ (44,636)	$ 124,812	$ 109,135
Transmission and distribution systems	63,268	(11,590)	51,678	51,831
Electric power plants under capital lease	26,342	(3,162)	23,180	23,559
Warehouse, equipment, motor vehicles and general facilities	22,950	(8,141)	14,809	13,708
Other utility assets	4,056	(779)	3,277	3,174
Other	8,069	(3,907)	4,162	897
	294,133	(72,215)	221,918	202,304
Construction work in progress	4,808	-	4,808	16,767
	$ 298,941	$ (72,215)	$ 226,726	$ 219,071

Engineering and other direct overhead expenses capitalized during the year amounted to $1,177 (2004 - $1,083).

10. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. As the sinking funds exist to fund the payout of long-term debt, sinking fund income is treated as a reduction of finance charges and is reflected in interest expense.

Cash and short-term investments include cash and fixed income investments with a term to maturity not exceeding one year. All fixed income securities are investment grade credit. The Corporation's sinking fund policy limits investments in equities to 30% of the total sinking fund market value. Equities are in two funds and are well diversified by sector, issuer, region and liquidity.

The sinking fund agreements require the Corporation to make annual installments to retire debt at maturity. The installments calculated for the next five years are disclosed in Note 12. Fair value information for sinking funds is included in Note 19. The Corporation realized a return of 5.52% (2004 – 6.52%) on the $28,850 (2004 - $24,082) book value of the sinking funds.

	2005		2004	
	Carrying Value	Weighted average effective rate of return (1)	Carrying Value	Weighted average effective rate of return (1)
Fixed income securities				
Federal Government guaranteed	$ 9,953	4.74%	$ 6,524	3.80%
Corporate bonds	6,414	5.27%	6,388	3.80%
Cash and short-term investments	3,770	2.56%	966	2.60%
Municipal Government guaranteed	2,639	5.64%	2,638	4.90%
Provincial Government guaranteed	672	5.29%	582	4.50%
Equities				
Canadian	5,402		4,838	
US	-		1,411	
International	-		735	
	$ 28,850		$ 24,082	

(1) – Rate calculated on market yield for cash and fixed income securities.

11. Regulatory assets and liabilities

Regulatory assets and liabilities arise as a result of the rate making process. The Corporation has recorded the following regulatory assets and liabilities in order to match revenues with expenses (see Note 2):

Regulatory Assets

	March 31 2005	2005 Costs Deferred and Interest Charged to the Fund	2005 Amortization of Fund Balance	2005 Rate Refunds (Collections)	March 31 2004
L-199 transmission line costs	$ 4,534	$ 162	$ -	$ -	$ 4,372
Rate stabilization funds	3,078	3,782	-	(155)	(549)
Snare cascades deferral account	1,774	-	-	(720)	2,494
Reserve for injuries and damages	1,612	1,084	(485)	-	1,013
Regulated employee future benefits	1,354	285	-	-	1,069
Financing costs	1,180	-	(43)	-	1,223
Regulatory costs	944	16	(228)	-	1,156
Normalized overhaul costs	226	2,267	(1,573)	-	(468)
Other regulated assets	1,177	782	(346)	-	741
	$ 15,879	$ 8,378	$ (2,675)	$ (875)	$ 11,051

The rate stabilization funds are comprised of fuel $3,367 (2004 - $1,138) and water $(289) (2004 - $(1,688)). During the 2005 year fuel stabilization fund rate riders of $155 (2004 – Nil) were charged to customers. These amounts were recorded as revenues and fuel expenses. Subsequent to March 31, 2005, the PUB approved four additional fuel stabilization fund rate riders. The five fuel stabilization fund riders are expected to collect $3,767 in 2005/06.

Regulatory Liabilities

	March 31 2005	2005 Amortization of Fund Balance	2005 Contributions or (Costs)	March 31 2004
Reserve for Future Removal and Site Restoration	$ 37,154	$ 1,461	$ (1,422)	$ 37,115
Deferred revenues	3,713	(369)	416	3,666
	$ 40,867	$ 1,092	$ (1,006)	$ 40,781

12. Long-term debt

	2005	2004
5.995% redeemable debenture due December 15, 2034	$ 25,000	$ -
11% sinking fund debentures, due March 9, 2009	20,000	20,000
10¾% sinking fund debentures, due May 28, 2012	20,000	20,000
6.63% amortizing debenture, due December 18, 2032	18,666	19,333
11⅛% sinking fund debentures, due June 6, 2011	15,000	15,000
6.33% redeemable sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% redeemable sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026, repayable in equal monthly payments of $73.	8,250	8,370
9¾% debenture series 2, due October 1, 2025, repayable in equal monthly payments of $69	7,294	7,400
10% debenture series 1, due May 1, 2025, repayable in equal monthly payments of $70	7,271	7,379
Other	5	5
	140,186	116,187
Less: Current portion	1,032	999
	139,154	115,188
Less: Sinking fund investments	28,850	24,082
	$ 110,304	$ 91,106

All long-term debt is guaranteed by the GNWT.

Principal repayments and estimated sinking fund investment contributions for the next five years:

	2006	2007	2008	2009	2010
Principal repayments	1,032	1,068	1,105	21,153	1,202
Sinking fund investment contributions	3,043	3,043	3,043	1,983	1,983

13. Net lease obligation

The NWT Energy Corporation Ltd. loaned funds to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories from 1994 to 1996. The balance of the loan receivable is $21,213 (2004 - $21,505). The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWT Energy Corporation Ltd.'s long-term debt issued to finance the loan. It is due July 2026 and is repayable, in equal monthly payments of $195. The loan is secured by a charge against the plant and the lease agreement.

The Corporation has an initial 65-year lease for the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation until 2061. The value of the capital lease obligation is $22,839 (2004 - $23,245).

To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants in property, plant and equipment at an original cost of $26,342.

Upon consolidation, the loan receivable held by NWT Energy Corporation Ltd. is offset with the capital lease obligation of the Corporation resulting in a net lease obligation of $1,626 (2004 - $1,740). As a result, upon consolidation, in the early years there will be a net payment and in later years there will be a net receipt until such time as the loan receivable is fully repaid in 2026 when only the capital lease obligation payments continue until 2061. The net lease obligation payments / (receipts) over the next five years are:

2006	2007	2008	2009	2010
$87	$55	$20	$ (19)	$ (61)

The current portion of the net lease obligation is $87 (2004 - $118) and is recorded in accounts payable.

14. Short–term debt and bank indebtedness

	2005	2004
Bankers' acceptance and shareholder's advance	$ 10,000	$ 11,000
Bank overdraft	-	1,772
	$ 10,000	$ 12,772

The interest rate charged on bank overdrafts is prime. The short-term debt outstanding at year-end had a weighted average 90 day term (2004–74 day term) and a 2.55% (2004–2.38%) weighted average annual interest rate. The Corporation has a $15,000 unsecured line of credit with its bank and also has access on occasion to short term funds from its shareholder.

15. Employee future benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan (PSPP). This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation received funding, recorded as other revenues, from the GNWT of $618 (2004–$931) to cover part of these pension expenses. As of April 1, 2005, the GNWT ceased its funding of the PSPP. The PUB approved a rate rider to collect $745 for fiscal year 2005/06 to offset funding previously received from the GNWT.

a) Contributions to the Public Service Pension Plan were as follows:

	2005	2004
Employer's contributions	$ 1,359	$ 1,972
Employees' contributions	683	628
Funding received from the GNWT	(618)	(931)
	$ 1,424	$ 1,669

The Corporation provides severance benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

b) Liability for severance and ultimate removal benefits is as follows:

	2005	2004
Accrued benefit obligation, beginning of the year	$ 2,022	$ 1,435
Costs for the year	511	693
Benefits paid during the year	(44)	(106)
Accrued benefit obligation, end of the year	$ 2,489	$ 2,022

16. Shareholder's equity

	2005	2004 (restated Note 4b)
Capital Stock		
Authorized: unlimited number of voting common shares without par value		
Issued: 431,288 common shares	$ 43,129	$ 43,129
Retained earnings at beginning of year	36,097	32,755
Correction of error—Division (Note 4b)	-	(337)
Restated retained earnings at beginning of year	36,097	32,418
Capital adjustment —Division (Note 4a)	(285)	-
Net earnings less dividends declared	3,129	3,679
Retained earnings at end of year	38,941	36,097
	$ 82,070	$ 79,226

17. Commitments and contingencies

Capital projects
The estimated cost to complete capital projects in progress, as at March 31, 2005, was $12,701 (2004 - $14,029).

Supply contracts
The Corporation has a contract to purchase refined oil products based on market prices at time of delivery. This contract ends in 2005 and has a minimum quantity purchase commitments totalling 4.9 million litres in this one year period, consistent with the Corporation's operational requirements.

Natural gas purchase commitment
The Corporation has an agreement to purchase natural gas to produce electricity in Inuvik. The minimum obligation is to purchase 5,622,900m^3 of natural gas per annum until July 2014, consistent with the Corporation's operational requirements. The price is calculated annually on August 1 and will depend on the Edmonton Average Unbranded High Sulphur Diesel Price as posted in the Bloomberg Oil Buyers Guide on that date.

Litigation
The Corporation has been named as a defendant in four lawsuits. Two actions relate to wrongful dismissal cases. The third action names the Corporation as a co-defendant in a lawsuit involving allegations of negligence and breaches of duty arising out of a snowmobile accident. The total liquidated amount of these claims ranges from $60 to $465, exclusive of costs and interest. The fourth action names the Corporation as a co-defendant with the GNWT and the Federal Government in a claim for $45,000 related to the construction of the hydro system on the Taltson River in 1965. It is management's estimate that no significant loss to the Corporation will result from any of these four claims. In the event that any of these claims are not settled in favour of the Corporation, the Corporation has insurance which may cover all or a portion of the settlement cost.

18. Related party transactions

The Corporation is a territorial Crown corporation and consequently is related to the GNWT and its agencies and corporations.

The Corporation provides utility services to, and purchases fuel and other services from, these related parties. These transactions are at the same rates and terms as those with similar unrelated customers. Transactions with related parties and balances at year-end not disclosed elsewhere in the financial statements are as follows:

	2005	2004
Sale of power and other	$ 18,589	$ 20,138
Purchase of fuel from government	1,658	1,469
Fuel tax paid to government	767	776
Other purchases and payments	470	510
Balances at year end:		
Accounts receivable	1,728	2,226
Accounts payable	419	1,071
Promissory note (included in short-term debt)	10,000	8,000
Dividend payable	3,300	3,500

19. Financial instruments

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 140,184	$ 161,145	$ 116,186	$ 148,107
Net lease obligation	1,626	3,725	1,740	4,041
Sinking fund investments	28,850	29,636	24,082	24,625

The fair values of cash, other current accounts receivable and payable and short-term debt approximate the carrying amounts of these instruments due to the short period to maturity.

The fair values for the long-term debt and net lease obligation are determined using market prices for similar instruments.

The fair value of the sinking fund investments is determined using market prices.

20. Comparative figures

Certain of the 2004 figures have been reclassified to conform to the financial statement presentation adopted for 2005.

NTPC Renewable Energy - Approximately 75% of our generation is hydro.

Consolidated Financial Summary (Unaudited)

For the years ended March 31 ($000's)

	2005	2004	2003	2002	2001 (NWT only)	2001
Operating revenue	**$68,108**	$68,355	$66,709	$64,310	$53,854	$107,886
Operating expenses	**52,254**	52,180	49,457	49,170	41,200	85,712
Fuel and lubricants expense	**15,016**	15,550	15,209	15,358	12,378	31,097
Interest expense (net of AFUDC)	**9,846**	9,596	10,060	10,544	8,765	13,923
Earnings from operations	**15,854**	16,175	17,252	15,140	12,654	22,174
Net earnings	**6,429**	7,179	7,725	6,882	4,182	9,089
Dividend	**3,300**	3,500	4,000	4,000	4,053	6,368
Expenditures on property, plant and equipment	**25,921**	11,124	8,650	5,334	4,554	20,395
Gross property, plant and equipment	**294,133**	272,681	265,036	258,786	258,606	396,860
Sales (MWh)	**337,113**	315,870	314,332	307,335	300,102	414,181
Generation (MWh) (Note 1)	**372,387**	349,276	350,086	341,101	334,087	462,410
Total number of customers (Note 2)	**8,182**	8,064	7,954	7,849	8,320	19,319
N.W.T	**8,182**	8,064	7,954	7,849	8,320	8,320
Nunavut	**s**	-	-	-	-	10,999
Return on net assets employed (Note 3)						
(Net income/ Total assets – RFRSR)	**2.51%**	2.98%	3.41%	3.11%	1.96%	2.86%
Average unit energy cost						
(Operating cents/kWh generated)	**14.03**	14.94	14.13	14.42	12.33	18.54

Notes: (1) Generation for 2005 and 2004 has been restated to include generation covered under purchase power credits provided to Miramar Con Mine.

(2) 2001 customer count uses old methodology.

(3) RFRSR – Reserve for Future Removal and Site Restoration. See Note 11 of the Financial Statements. Prior years have been restated to conform with 2005 format.

Directive One

Date: June 3, 2004

Subject: Northwest Territories Power Corporation Contracts

Decision: The Executive Council directs that previous Executive Council direction dated 5 September 2000 be rescinded regarding the Northwest Territories Power Corporation Municipal Franchise in Hay River.

It is understood that the Honourable Joseph Handley, Minister Responsible for the Northwest Territories Power Corporation, will initiate the required action to implement this decision.

Directive Two

Date: July 15, 2004

Subject: Northwest Territories Power Corporation Corporate Structure

Decision: The Executive Council directs the Minister Responsible for the Northwest Territories Power Corporation, the Minister of Justice and the Chair of the Financial Management Board, to return to Executive Council with a workable plan to restructure the Northwest Territories Power Corporation in a manner that meets the Corporation's strategic direction and addresses the concerns raised by the Department of Justice.

It is understood that the Honourable Joseph Handley, Minister Responsible for the Northwest Territories Power Corporation, will initiate the required action to implement this decision.

Directive Three

Date: October 7, 2004

Subject: Northwest Territories Power Corporation Corporate Structure

Decision: The Executive Council directs the Minister Responsible for the Northwest Territories Power Corporation to:

(1) return to the Executive council with a legislative proposal with respect to restructuring the Northwest Territories power Corporation that is consistent with the following:

(a) creation under the *Northwest Territories Business Credit Corporations Act* of a new holding company to be 100% owned by the Government of the Northwest Territories;

(b) transfer of the Northwest Territories Power Corporation and its subsidiaries to the holding company to be direct subsidies of the holding company;

(c) permission for the holding company to create new subsidiaries under the *Northwest Territories Power Corporation Act*;

(d) retention of the Government of the Northwest Territories' ownership of the Northwest Territories Power Corporation as s public agency;

(e) retention of the Northwest Territories Power Corporation as a regulated corporation subject to the *Financial Administration Act, Northwest Territories Power Corporation Act, Public Utilities Act* and *Public Service Act;*

(f) removal of legislative restrictions on the holding company and its unregulated subsidiaries with respect to borrowing, guarantees, indemnities, etc. and permitting the market set any such regulations;

(g) imposition of restrictions on the holding company to prevent the holding company putting the Northwest Territories Power Corporation's assets or Government of the Northwest Territories' investments at unacceptable risk; and

(h) permission for the holding company and its unregulated subsidiaries to undertake any and all utility-type activities; and

(2) further to paragraph (1) above, attach to the legislative proposal a plan that identifies the specific instruments and actions necessary to ensure the status of the Northwest Territories Power Corporation as a public agency of the Government of the Northwest Territories subject to the *Financial Administration Act.*

It is understood that the Honourable Joseph Handley, Minister Responsible for the Northwest Territories Power Corporation, will initiate the required action to implement this decision.

Directive Four

Date: March 10, 2005

Subject: Cabinet Direction to Northwest Territories Power Corporation – Payment of Dividend

Decision: The Executive Council directs that:

(1) the Northwest Territories Power Corporation declare a dividend of $3,300,000 for 2004-2005;

(2) the Minister Responsible for the Northwest Territories Power Corporation communicate this direction to the Chairman of the Northwest Territories Power Corporation; and

(3) the Northwest Territories Power Corporation pay the dividend within 120 days of the dividend being declared.

It is understood that the Honourable Joseph Handley, Minster Responsible for the Northwest Territories Power Corporation, will initiate the required action to implement this decision.

The Finance Department - Working and playing as a team!

Directors and Officers

Board of Directors

Richard Nerysoo
Chairman

Peter Allen
Vice Chairman

Leon Courneya
Director

Peter Guther
Director

Marion LaVigne
Director

Gladys Norwegian
Director

Louis Sebert
Director

Governance & Compensation Committee

Peter Allen, *Chairman*
Leon Courneya, *Committee Member*
Richard Nerysoo, *Committee Member*
Gladys Norwegian, *Committee Member*

Audit & Efficiency Committee

Peter Guther, *Chairman*
Marion Lavigne, *Committee Member*
Louis Sebert, *Committee Member*

Officers of the Corporation

Richard Nerysoo
Chairman

Leon Courneya, FCA
President and Chief Executive Officer

Judith Goucher, MA
Director, Finance & CFO

Cheryle Donahue
Director, Human Resources

Paul Campbell
Director, Deh Cho–South Slave

Al Dube, P.Eng.
Director, Engineering & Chief Engineer

John Locke
Director, Information Systems & CIO

Randy Patrick, MA, MBA, BCom
Director, North Slave

Brian Willows
Director, Corporate Operations
Director, Delta–Sahtu

Herbert Blake
Assistant Director, Delta–Sahtu

Dan Grabke
Director, Business Development
NTEC 03 Ltd.

Cheryl Tordoff
Corporate Secretary

Northwest Territories
Power Corporation

Head Office
4 Capital Drive
Hay River NT X0E 1G2
Telephone: 867 874 5200
Facsimile: 867 874 5229
Email: nwtpc@ntpc.com
Web site: www.ntpc.com

Regional Offices

Delta - Sahtu
Box 1490
Inuvik NT X0E 0T0
Telephone: 867 777 7700
Facsimile: 867 777 4283
Toll free: 1 800 661 0856

North Slave
Box 2250
Yellowknife NT X1A 2P7
Telephone: 867 669 3300
Facsimile: 867 669 3316
Toll free: 1 800 661 0854

Deh Cho - South Slave
Box 66
Fort Smith NT X0E 0P0
Telephone: 867 872 7100
Facsimile: 867 872 7149

South Slave Office - Toll Free
1 800 661 0855

Deh Cho Office - Toll Free
1 800 288 4784

NWT Energy
Corporation (1) Ltd.
Suite 206
5102 - 50th Avenue
Yellowknife, NT
X1A 3S8
Telephone: 867 669 3390
Facsimile: 867 669 3395
Web site: www.nwtec.ca

www.ntpc.com